

FactCheck



Davit Sergeenko:

Minister of Health, Labour and Social Affairs of Georgia



“The money spent by us on healthcare is a direct investment in the economy”

Mariam CHACHUA
FactCheck

According to the statement of the Minister of Health, Labour and Social Affairs of Georgia, Davit Sergeenko, healthcare still remains among the biggest priority areas for the government and the money spent on healthcare by the government is a direct investment in the economy of the country.

FactCheck verified the accuracy of the aforementioned statement.

A total of GEL 1.8 billion was allocated for the Ministry of Health, Labour and Social Affairs of Georgia in 2012 which was about 23% of the overall state budget that year. According to the 2015 state budget, the funding of the ministry is GEL 2.9 billion and is planned to be increased to GEL 3.2 billion in 2016 which would constitute about 31% of the overall state budget.

Expenses which facilitate the creation of new capital or the growth of the value of already existing capital are considered to be an investment in the economy. Specifically expenses for the construction of the new hospitals or the rehabilitation and equipment of the old ones can indeed be considered as investments in the economy whilst the expenses of a more social character are simply running costs. According to the state finances statistics of the International Monetary Fund, the growth of financial or non-financial assets is considered to be an investment made by the

state in the economy of the country. The healthcare expenses, on the other hand, are regarded as the running expenses of the budget which are added up to consumption, not investments.

A total of GEL 13 million was allocated for the rehabilitation and equipment of the medical facilities in 2012 whilst the 2015 budget assigns GEL 31 million for this purpose, planned to be increased to GEL 32 million in 2016. Hence, a small part of the healthcare budget (about 1%) is indeed investment oriented. Also, it is true that high quality and easily available healthcare positively influences the standard of living of the society. Reduction of the number of diseases and mortality rate can indeed be regarded as positive factors and hence we can say that the expenses of the healthcare system are, in a way, an investment in human capital.

About 25% (GEL 801.5 million) of the budget of the Ministry of Health, Labour and Social Affairs of Georgia is envisaged for the funding of healthcare programmes of which the highest expense, GEL 570 million (71%), is that of the Universal Healthcare programme.

The funding of the healthcare programmes in 2016 state budget has increased by GEL 468.7 million (41%) as compared to that of 2012. The largest part of the funding allocated for healthcare programmes is directed towards the Universal Healthcare Programme. The Universal Healthcare Programme was enacted in 2013 and has since gradually replaced the state insurance programme. Unlike the state insurance programme which

provided the vulnerable groups of the society with free insurance policies, the Universal Healthcare Programme is accessible to every citizen of the country.

Despite the fact that the programme seems to be increasing the availability of medical services, its universal character is its most important flaw. Despite the fact that the funding of the programme increases every year, the condition of the vulnerable groups of the society (target groups) has not changed and they use the same health insurance packages that they did before the enactment of the Universal Healthcare Programme. In addition, a major part of healthcare expenses go on the purchase of medications. The Universal Healthcare Programme envisages the funding of 50% of the medication expenses for the targeted groups of the population only within a very small limit (from GEL 50 to GEL 200) which is definitely not enough. In addition, they used to have these concessions before the enactment of the Universal Healthcare Programme as well.

In the case of more targeted and effective spending of the money allocated for the programme it would become possible to fund the medications for the socially vulnerable. At this stage, however, the benefits of the Universal Healthcare Programme are also available to the part of the population who replaced the private insurance policies with the state funded ones and hence reduced their personal expenses. Therefore, in terms of the human capital development the Universal Healthcare Programme is not very efficient.

International Tourist Arrivals Up 4% Reach a Record 1.2 Billion in 2015



The FINANCIAL

International tourist arrivals grew by 4.4% in 2015 to reach a total of 1,184 million in 2015, according to the latest UNWTO World Tourism Barometer. Some 50 million more tourists (overnight visitors) travelled to international destinations around the world last year as compared to 2014.

2015 marks the 6th consecutive year of above-average growth, with international arrivals increasing by 4% or more every year since the post-crisis year of 2010.

Demand was strong overall, though with mixed results across individual destinations due to unusually strong exchange rate fluctuations, the drop in oil prices and other commodities which increased disposable income in importing countries but weakened demand in exporters, as well as increased safety and security concerns.

“2015 results were influenced by exchange rates, oil prices and natural and man-made crises in many parts of the world”, commented UNWTO Secretary-General, Taleb Rifai.

“As the current environment highlights in a particular manner the issues of safety and security, we should recall that tourism development greatly depends upon our collective capacity to promote safe, secure and seamless travel.

We urge governments to include tourism administrations in their national security planning, structures and procedures, not only to ensure that the sector's exposure to threats is minimised but also to maximise the sector's ability to support security and facilitation, as seamless and safe travel can and should go hand in hand”, added Mr Rifai.

Growth in advanced economy destinations (+5%) exceeded that of emerging economies (+4%), boosted by the solid results of Europe (+5%).

By region, Europe, the Americas and Asia and the Pacific all recorded around 5% growth in 2015. Arrivals to the Middle East increased by 3% while in Africa, limited data available, points to an estimated 3% decrease,

mostly due to weak results in North Africa, which accounts for over one third of arrivals in the region.

International tourist arrivals growth is projected at 4% worldwide in 2016.

By region, growth is expected to be stronger in Asia and the Pacific (+4% to +5%) and the Americas (+4% to +5%), followed by Europe (+3.5% to +4.5%). The projections for Africa (+2% to 5%) and the Middle East (+2% to +5%) are positive, though with a larger degree of uncertainty and volatility.

Arrivals in Europe Reached 609 million, or 29 million more than in 2014

Europe (+5%) led growth in absolute and relative terms supported by a weaker euro vis-à-vis the US dollar and other main currencies. Arrivals reached 609 million, or 29 million more than in 2014. Central and Eastern Europe (+6%) rebounded from last year's decrease in arrivals. Northern Europe (+6%), Southern Mediterranean Europe (+5%) and Western Europe (+4%) also recorded sound results, especially considering the many mature destinations they comprise.

Asia and the Pacific (+5%) recorded 13 million more international tourist arrivals last year to reach 277 million, with uneven results across destinations. Oceania (+7%) and South-East Asia (+5%) led growth, while South Asia and in North-East Asia recorded an increase of 4%.

International tourist arrivals in the Americas (+5%) grew 9 million to reach 191 million, consolidating the strong results of 2014. The appreciation of the US dollar stimulated outbound travel from the United States, benefiting the Caribbean and Central America, both recording 7% growth. Results in South America and North America (both at +4%) were close to

the average.

International tourist arrivals in the Middle East grew by an estimated 3% to a total of 54 million, consolidating the recovery initiated in 2014.

Limited available data for Africa points to a 3% decrease in international arrivals, reaching a total of 53 million. In North Africa arrivals declined by 8% and in Sub-Saharan Africa by 1%, though the latter returned to positive growth in the second half of the year. (Results for both Africa and Middle East should be read with caution as it is based on limited available data)

China, the USA and the UK lead outbound travel growth in 2015

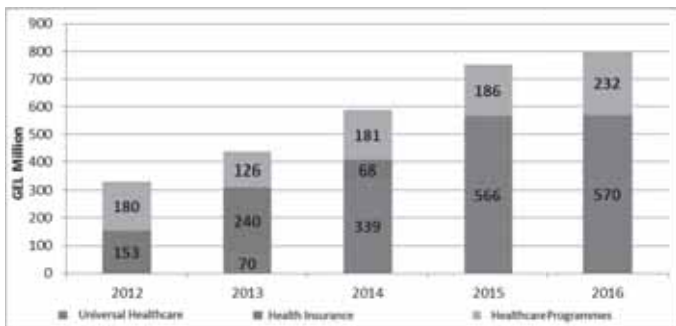
A few leading source markets have driven tourism expenditure in 2015 supported by a strong currency and economy.

Among the world's top source markets, China, with double-digit growth in expenditure every year since 2004, continues to lead global outbound travel, benefitting Asian destinations such as Japan and Thailand, as well as the United States and various European destinations.

By contrast, expenditure from the previously very dynamic source markets of the Russian Federation and Brazil declined significantly, reflecting the economic constraints in both countries and the depreciation of the rouble and the real against virtually all other currencies.

As for the traditional advanced economy source markets, expenditure from the United States (+9%), the world's second largest source market, and the United Kingdom (+6%) was boosted by a strong currency and rebounding economy. Spending from Germany, Italy and Australia grew at a slower rate (all at +2%), while demand from Canada and France was rather weak.

Chart 1: Funding of the Healthcare Programmes from 2012 to 2016



CONCLUSION

HENCE, FACTCHECK CONCLUDES THAT DAVIT SERGEENKO'S STATEMENT IS MOSTLY FALSE.



MOSTLY FALSE



EUROPEAN
ENDOWMENT & DEMOCRACY

G|M|F

The German Marshall Fund
of the United States



Kingdom of the Netherlands

STRENGTHENING TRANSATLANTIC COOPERATION

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BUSINESS TRAVEL COM LLC

First Profitable Year for PASHA Bank in Georgia

By ANANO KORKIA

We have been active in Georgia since

2013, but it took some time to achieve the critical revenue mass necessary to cover the operating costs. Last year we closed two bond issues: in one instance we underwrote a GEL 20mln for a commercial bank active in Georgia.

Being present in all three countries enables our clients to do their banking at a single window. This simplifies customer experience, cutting down on time it takes for the bank to assess a client and arrange the financing. We are in the second year of our three-year strategic plan, which calls for the bank to maintain the exclusive focus on corporate clientele.

Interview with the Commercial Director of PASHA Bank, Goga Japaridze.

How would you assess the year 2015 for PASHA Bank?

Past year was clearly successful on a number of dimensions. First of all, we managed to turn profit for the first time in history for PASHA Bank Georgia. We have been active in Georgia since 2013, but it took some time to achieve the critical revenue mass necessary to cover the operating costs. Naturally, this is a very large milestone for us. On top of that we have managed to reach our 2015 portfolio target of GEL 110 mln. Our assets also increased in line with the plan and reached c.a. GEL 270 mln as of end 2015.

PASHA Bank had certain activities in Georgian bond market in 2015. What are your capabilities in this direction and do you plan more transactions in 2016?

Last year we closed two bond issues: in one instance we underwrote a GEL 20mln for a commercial bank active in Georgia. The proceeds will be used to finance portfolio expansion of the issuer. The second client was a utility company, which used proceeds for general corporate purposes. Basically we are able to provide the full range of services necessary for a bond placement. We usually also offer market making



GOGA JAPARIDZE, Commercial Director

services to support liquidity post issuance. The plan for 2016 is to do at least two more issues and ideally we would like to diversify the sectors with whom we work on bond issuance.

In one of the interviews you mentioned that PASHA Bank is open for syndicated deals with other banks. Do you still work in this direction and what is your experience so far?

Most definitely. Our marketing strategy calls for us to be a second or third bank for our corporate clients, where we work together with their main bank to provide clients with the whole range of financial solutions that they might conceivably require. As a pure-play corporate bank we are more than happy to leave the retail aspects of client interaction to the partner banks which usually are universal players unlike us. We hope to have developed reputation of a reliable, flexible and fast syndication partner in the marketplace. Last year and the year before we have worked on a number of mid-sized syndicated deals with several partner banks. A practice we hope to keep going for the foreseeable future.

Being presented in Azerbaijan, Turkey and Georgia, what regional banking services or benefits do you offer your clients?

Being present in all three countries enables our clients to do their banking at a single window. This simplifies customer experience, cutting down on time it takes for the bank to assess a client and arrange the financing. For instance, if a potential client works with us in Azerbaijan or Turkey it is much easier for us to fund them in Georgia. As our colleagues in sister banks have already done client due diligence we find it much easier to process the financing request leading to simpler procedures and shorter turnarounds. Apart from that we realize certain cost-savings stemming from our regional scale. Those savings are passed on to the clients

in the form of reduced pricing for products and services. To summarize, it is an opportunity for a corporate customer to do business with a single bank in all three countries, which is cost efficient and convenient.

During 2015 PASHA Bank sponsored a range of events and CSR related activities. Is this tendency going to continue in future?

Corporate citizenship is one of the things to which we pay double attention. This is an organic part of PASHA Bank brand and we take our duties as a corporate citizen very seriously. In 2015 we supported Charity fund First Step Georgia, financed summer school of students from vulnerable families, made a donation for the June 13 flood victims, initiated and executed the project Spotlight Marketing Library and sponsored Time Management Seminar by David Allen. Last year Business Café project was launched together with Insource – the project aimed at experience sharing between top managers of various organizations. In 2015 PASHA Bank also sponsored several sector-specific events such as Telecommunication Meeting in Georgia, Agro Forum, Spotlight and Golden Brand. We do believe that by supporting activities like this we are contributing to the professional growth of middle and top-managers, thus helping the development of business and Georgian economy in general. PASHA Bank intends to keep up with the best practices in the field for the years to come.

What are your plans for 2016?

Maintaining the profitable growth that we achieved last year is a no-brainer. Our loan portfolio needs to grow further, so needs to do our trade finance business line. We are pinning high hopes on the growth of the latter as the economies of the region pick up. Right now due to the macro economic difficulties in the neighboring countries trade finance potential is not fully utilized. We hope this to become one of our leading revenue drivers in the medium term. We are in the second year of our three-year strategic plan, which calls for the bank to maintain the exclusive focus on corporate clientele. Having said that, we have yet to decide what business model we will rely on coming next strategic period from 2018. Main areas we are looking at are SME and retail banking. Both of those need sizeable capital expenditures and significant effort in terms of time and human resources investments. Those are the crucial questions for us to answer as the year progresses.



Zurab Japaridze:

The Leader of the New Political Centre – Girchi



“The Universal Healthcare Programme does not cover medicine whilst the prices for medication have increased almost by a third.” *true*

Teona ABSANDZE
FactCheck

On 1 December 2015, the Universal Healthcare Programme was discussed on the talk show, *Archevani*, on air on Rustavi 2. Emphasis was made upon the fact that pensioners cannot afford to buy medicine. The Leader of the New Political Centre – Girchi, Zurab Japaridze stated: “Part of the medicine is indeed funded from the Universal Healthcare Programme when it is about hospital treatment. However, medicine prescribed by a doctor is not covered and prices for medication are on the rise. According to the latest data, the prices of medicine have increased on average by almost a third, by 27.7%.”

The Universal Healthcare Programme covers the costs of medicine for emergency hospital treatment and emergency ambulatory treatment. However, medications are not covered for non-emergency medical treatment because the programme's basic package does not envisage the reimbursement of medicines prescribed by a doctor.

Of note is that the reimbursement of the means of treatment is envisaged for target groups although upon a minimal basis. Children up to the age of five years and socially vulnerable individuals have their expenses for medicine reimbursed within the annual GEL 50 limit (with 50% paid by the beneficiary himself). Disabled children, children with visible disabilities and pensioners have their expenses for medication reimbursed within an annual GEL 100 limit (with 50% paid by the beneficiary himself). Socially vulnerable pensioners, however, have their expenses for

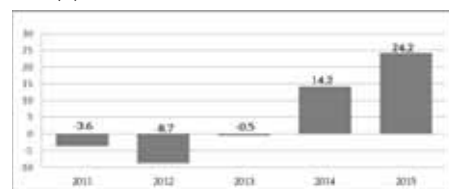
medication reimbursed within an annual GEL 200 limit (with 50% paid by the beneficiary himself). The expenses for medicine are reimbursed for veterans as well within an annual GEL 50 limit (with 50% paid by the beneficiary himself). Of further note is that the aforementioned target groups (with the exception of veterans) used to have the state health insurance package even before the Universal Healthcare Programme was launched with their expenses for medicines being reimbursed in a similar way. In 2014, those individuals who used to have the state health insurance package were transferred to the Universal Healthcare Programme but retained their previously held health insurance packages as well.

A report entitled *Research on the Use of Health Services and Expenses in Georgia* was published in 2015 (based on 2014 data). The research was carried out with the assistance of the World Health Organization, USAID and the World Bank. According to the report, the amount of money directly paid by the population for healthcare, especially during hospital care, did indeed decrease after the launch of the Universal Healthcare Programme. However, the amount of money paid for medicines by individuals

under the most impoverished category as well as those living in villages increased.

According to the National Statistics Office of Georgia, the prices for medication increased by 17.7% in January-November 2015 as compared to the same period of the previous year. We have to clarify that the National Statistics Office of Georgia monitors price changes for medicines which are widely used such as antibiotics, vitamins, painkillers, vasodilator drugs, anti-inflammation drugs and medications for the digestive system. The increase in the prices of medicine was mostly caused by the depreciation of GEL. However, the rise in the prices of medication started before the depreciation of GEL, from February 2014. In 2011-2013, the prices of medicine were on the decrease although increased by 14.2% in 2014 with the latest data from November 2015 showing an increase by 24.2% (see Graph 1). We have to further clarify that calculating the annual changes in the prices of medicine implies comparing the numbers registered in the month of December with the numbers registered in the previous December. However, in the case of 2015 we compared the prices registered in November 2015 to the prices registered in December 2014.

Graph 1: Changes in the Prices of Medicine in 2011-2015 (%)



CONCLUSION

THE UNIVERSAL HEALTHCARE PROGRAMME COVERS EXPENSES FOR MEDICATION IN THE CASES OF HOSPITAL CARE AND EMERGENCY AMBULATORY CARE. THE PROGRAMME'S BASIC PACKAGE DOES NOT COVER MEDICATIONS PRESCRIBED BY A DOCTOR. THE EXPENSES FOR MEDICINE WITHIN MINIMAL ANNUAL LIMITS (GEL 50, GEL 100 OR GEL 200) ARE REIMBURSED ONLY FOR TARGET GROUPS (DISABLED CHILDREN, CHILDREN WITH VISIBLE DISABILITIES, PENSIONERS AND VETERANS) WITH 50% PAID BY THE BENEFICIARY HIMSELF. THE AFOREMENTIONED TARGET GROUPS (VETERANS BEING THE ONLY EXCEPTION) USED TO HAVE STATE HEALTH INSURANCE BEFORE THE UNIVERSAL HEALTHCARE PROGRAMME WAS LAUNCHED WITH THEIR EXPENSES FOR MEDICINE BEING REIMBURSED IN A SIMILAR WAY. IN 2014-2015, THE PRICES FOR MEDICINES HAVE INCREASED WHICH CREATES PROBLEMS IN TERMS OF THEIR AFFORDABILITY. PRICES FOR MEDICINES INCREASED BY 24.2% IN NOVEMBER 2015 AS COMPARED TO DECEMBER 2014. **FACTCHECK CONCLUDES THAT ZURAB JAPARIDZE'S STATEMENT IS TRUE.**

TRUE

